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Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SAJ-01 AID-05 CIAE-00 COME-00

EB-07 FRB-01 INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-02 H-02 PA-02 PRS-01 USIA-15 INT-05

OES-05 FEAE-00 NEA-09 ARA-10 /140 W
---------- 037661
R 141717Z FEB 75
FM AMEMBASSY BONN
TO SECSTATE WASHDC 8015
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMCONSUL FRANKFURT

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DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, GW
SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING FEBRUARY 13)

1. CHANCELLOR SCHMIDT SAYS NO INVESTMENT FROM ABROAD THAT ENDANGERS NATIONAL SECURITY. THE CHANCELLOR PROVIDED THIS ASSURANCE IN A MEETING THIS WEEK WITH INDUSTRIAL AND LABOR LEADERS. THE MEETING WAS THE LATEST IN THE SERIES OF DISCUSSIONS THAT GOVERNMENT HAS BEEN HOLDING WITH SECTORS OF THE ECONOMY REGARDING THE
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ISSUE OF INCOMING INVESTMENT. REPORTS FROM THE MEETING

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INDICATE THAT, WHILE NO SPECIFIC PREFERENCES WERE FORTHCOMING FROM EITHER SCHMIDT OR OTHER CABINET MEMBERS PRESENT IN HOW SUCH INVESTMENT SHOULD BE TREATED, PROPOSALS ARE EXPECTED TO BE PRESENTED TO THE CABINET WITHIN TWO WEEKS BY ECONOMICS MINISTER FRIDERICHS. THE MOST LIKELY LAW, IF THE PROPOSALS EVENTUALLY TAKE THIS FORM, WILL BE ONE WHICH PROVIDES THE GOVERNMENT WITH WIDE FLEXIBILITY ON GROUNDS OF NATIONAL SECURITY AND DEFENSE IN OBJECTING TO FOREIGN PURCHASES OF GERMAN FIRMS OR SIGNIFICANT BLOCKS OF SHARES THEREOF. SEVERAL PRESS REPORTS INDICATE THAT THE GOVERNMENT WILL ATTEMPT TO REACH SOME TYPE OF "GENTLEMEN'S UNDERSTANDING" WITH THE OIL EXPORTING COUNTRIES AND IN ANY CASE, PRIOR TO THE INTRODUCTION OF SPECIFIC LEGISLATION, WILL CONSULT WITH FOREIGN GOVERNMENTS.

2. THE BUNDESBANK ON FEBRUARY 12 ANNOUNCED THAT IN AN EFFORT TO ABSORB SOME OF THE INCREASED LIQUIDITY IN THE MONEY MARKET THAT IT WOULD IMMEDIATELY INITIATE THE SALE OF TREASURY NOTES TO DOMESTIC BANKS. THE CONDITIONS OF SUCH SALES ARE AS FOLLOWS (PREVIOUS RATES IN PARENTHESIS):

MATURITY	INTEREST	YIELD
30 - 59 DAYS	4 (4 1/2)	4.03 (4.53)
60 - 90 DAYS	4 1/8 (4 5/8)	4.17 (4.68)

THE INTEREST RATES FOR OTHER MONEY MARKET PAPER REMAINS UNCHANGED.

3. FOREIGN EXCHANGE MARKET: DURING THE REPORTING WEEK, SPOT AND FORWARD DOLLARS DEVELOPED AS FOLLOWS:

		FORWARD DOLLARS (DISCOUNTS IN PCT. P.A.)	
	SPOT DOLLARS	ONE-MONTH	THREE-MONTH
FEB 7	DM 2.3675	-1.01	-0.76

10	2.3535	-1.02	-0.85
11	2.3430	-1.28	-1.11
12	2.3500	-1.02	-0.94
13	2.3315	-1.03	-0.86

WITHIN THE JOINT FLOAT ALL CURRENCIES, WITH THE EXCEPTION OF THE DANISH AND NORWEGIAN CROWNS THROUGHOUT THE WEEK AND THE SWEDISH KRONE ON FEBRUARY 13, WERE

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ABOVE THEIR DM CENTRAL RATES. NONE REACHED THEIR UPPER
DM INTERVENTION RATE.

4. MONEY MARKET: THE GERMAN MONEY MARKET, PARTICULARLY
WITH RESPECT TO CALL MONEY, CONTINUED ITS EASING TREND.
DURING THE REPORTING WEEK FRANKFURT INTERBANK MONEY
RATES DEVELOPED AS FOLLOWS:

	CALL MONEY	ONE-MONTH MONEY	THREE-MONTH MONEY
FEB 7	3.8 - 4.5	5.5 - 5.8	6.5 - 6.9

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OES-05 FEAE-00 NEA-09 ARA-10 /140 W
---------- 037694
R 141717Z FEB 75
FM AMEMBASSY BONN
TO SECSTATE WASHDC 8016
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
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AMEMBASSY PARIS
AMEMBASSY ROME
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10	3.9 - 4.1	5.5 - 6.0	6.5 - 6.9
11	3.5 - 4.0	5.2 - 5.5	6.3 - 6.6
12	2.5 - 3.2	5.2 - 5.5	6.3 - 6.6
13	3.8 - 4.2	5.0 - 5.5	6.3 - 6.6

5. MONETARY RESERVE: IN THE FOURTH WEEK OF JANUARY (JANUARY 24 - 31) BUNDESBANK MONETARY RESERVES INCREASED BY DM 0.2 BILLION TO DM 82.9 BILLION. HOLDINGS OF LIQUID FOREIGN EXCHANGE INCREASED BY DM 435 MILLION AND GROSS LIABILITIES BY DM 37 MILLION WHILE GERMANY'S IMF GOLD TRANCHE POSITION REMAINED UNCHANGED.
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6. BANK LIQUIDITY: DURING THE FINAL WEEK OF JANUARY, BANK LIQUIDITY FELL BY DM 1.4 BILLION, DUE LARGELY TO THE INCREASE IN HOLDINGS OF RESERVES AT THE BUNDESBANK (DM 5.0 BILLION) AND THE DM 3.6 BILLION GROWTH IN CURRENCY IN CIRCULATION. THESE FACTORS WERE PARTIALLY OFFSET BY THE ABOVE-NOTED INCREASE IN MONETARY RESERVES, THE DM 4.6 DECREASE IN OFFICIAL ASSETS HELD AT THE BUNDESBANK AND OTHER FACTORS, NET, WHICH INCREASED LIQUIDITY BY DM 0.9 MILLION. DURING THE FOURTH WEEK OF JANUARY BANKS REDUCED LOMBARD BORROWINGS BY DM 1.1 BILLION AND RAISED DISCOUNT BORROWINGS BY DM 2.5 BILLION.

7. BOND MARKET: DURING THE REPORTING WEEK THE FAZ AVERAGE YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS DEVELOPED AS FOLLOWS:

	8 PERCENT	7 PERCENT	6 PERCENT
FEB 7	9.36	9.29	8.98
10	9.31	9.21	8.98
11	9.27	9.20	8.96
12	9.27	9.18	8.93
13	9.23	9.19	8.93

THE DEUTSCHE BANK HAS ANNOUNCED A DM 100 MILLION BOND ISSUE OF THE AUSTRIAN GOVERNMENT WITH THE FOLLOWING CONDITIONS: ISSUE PRICE 100 PERCENT; MATURITY 8 YEARS, YIELD TO MATURITY 9 PERCENT. THE CAISSE NATIONALE DES TELECOMMUNICATIONS, PARIS, WILL ISSUE AS PRIVATE PLACEMENT AN ADDITIONAL DM 50 MILLION LOAN (SEE BONN 02174) WITH THE FOLLOWING CONDITIONS: 9 PERCENT COUPON; ISSUE PRICE 98.75 PERCENT; MATURITY 8 YEARS.
HILLENBRAND

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